

EMPLOYER UPDATE

A PUBLICATION OF THE ARIZONA STATE RETIREMENT SYSTEM

July 2001

In This Issue....



ASRS Retiree Health Insurance Open Enrollment



Service Purchase Deadline



New LTD Contract



New Contribution Rates



Premium Benefit Supplement Update

ROUTING SLIP

Human Resources _____

Payroll _____

Benefits _____

Accounting _____

ASRS Web Site Gets A New Look!!

In an effort to provide our members and employers with a more up-to-date source of information, we have completely re-designed our web site. Just a few of the new features that our site boasts are:

On-line calculators to help you with your financial planning

On-line survey that changes every month

An entire section dedicated to tips on Financial Planning

More interactive "Contact Us" Feature

Advanced "Search" Feature that will save quite a bit of time

Interactive and Text versions to support any type of web browser

On-line Member Guide

Section dedicated solely to Legislation that links to ALIS and AZleg.

Please take a look around the new site and let us know what you think. The address for the ASRS web site is:

www.asrs.state.az.us

News from our Capitol...

Members of the Arizona Legislature will review the issue of Arizona Public Retiree Health Care, its increasing cost and diminishing availability, in detail in the latter half of 2001.

It is not a new policy issue at the State Capitol. Responding to a literal avalanche of telephone messages and E-mails from retirees across the State last fall and when the session began in January, Senator Marsha Arzberger, (D-8-Wilcox) spearheaded legislation to address the issues of cost and availability of health care supplemental payments for Arizona's retirees.

In January when the session convened, Senator Arzberger introduced Senate Bill 1106. The bill, referred to the Senate Finance Committee, proposed the creation of a joint study committee with her colleagues in the Arizona House of Representatives to look at an entire overhaul of the system for helping with retiree health care.

Continued on Page 2

ASRS Awards New Long Term Disability Income Plan Claims Administration Contract

At its June meeting, the ASRS Board chose VPA, Inc., to provide claims administration for its long-term disability income plan. The current contract with Fortis Benefits Insurance Company expires on July 31, 2001.

VPA, Inc. is a full-service disability management company based in Calabasas, California and is the largest independent disability benefits third party administrator in the United States. Over the years, VPA's focus has been on only one business: managing absence and disability programs for large employers. Today, VPA administers over 300 plans covering more than 1,000,000 employees in all 50 states.

Though more information about the transition from Fortis to VPA will be provided in the latter part of July to participating employers, current claimants, and those who have applied for LTD benefits but are in a pending status, the following is a brief timeline of VPA's takeover:

- VPA assumes claims administration for new disability claims effective August 1, 2001;
- VPA will have responsibility on August 1 for all LTD applications which are in a pending status on that date;
- Fortis will continue to process (i.e., issue benefit checks) all open/active LTD claims as of July 31st, until September 30th;
- VPA assumes responsibility for claimants who are in vocational rehabilitation effective September 1st; and,
- VPA solely will be responsible for full LTD claims administration on October 1, 2001.

Employers are requested to continue to administer the LTD program as you currently have been, i.e., use current employee, employer, and attending physician statements. Until notified, new applications should be forwarded to VPA. In the latter part of July, VPA will provide you with new forms, booklets, etc., for your use as well as additional instructions on future administration.

The above timeline allows for a smooth and, hopefully, trouble-free transition. Your cooperation and patience during this time will be appreciated.

VPA will have a representative on site at the ASRS Phoenix office to assist you in handling your questions. You may contact the representative at 602-240-2133 or from Tucson, at 520-239-3100, Ext. 2133 or outside of metro Phoenix or Tucson, at 800-621-3778, Ext. 2133.

IMPORTANT NOTICE

Beginning July 1 of this year, the Arizona State Retirement System will begin performing audits of its employers in our continuing efforts to assure conformity of the Arizona Revised Statutes.

Continued from Page 1

Senate leadership held the bill from receiving a committee hearing with an understanding that the Senate President and the House Speaker would appoint an ad hoc committee for this task, which would not require legislation.

Reportedly, Senate and House leadership of state legislators and private citizens have tentatively made some appointments to the study panel. Also being included will be a representative from Governor Hull's Office where staff has indicated an interest in actively participating with this review.

Although the primary focus of this joint interim study committee will begin with the companion issues of costs and availability, the breadth of policy review will likely include a look at a wide range of ideas. They may range in scope from a different pool of individuals to solicit health insurance bids on, (i.e., merging the retired with the active employees), creating state health self-insurance, or some utilization of the Arizona Health Care Cost Containment System (AHCCCS). These are some of the topics that have been overheard at the Capitol as possible issues to explore.

The speculation is that joint committee appointments may be this summer and public hearings and work begin around Labor Day, but nothing official has been released at this time. The temporary increase in health insurance supplemental payments approved this past session in SB 1107 will self repeal in two years – the expected time allocated for hearings and review and subsequent new legislation to be introduced and adopted.

For more information on this committee and other Arizona legislative issues affecting state retirement policy, please contact the ASRS web site at www.asrs.state.az.us or the Senate President's office at 602-542-4138 or the House Speaker's Office at 602-542-4639.

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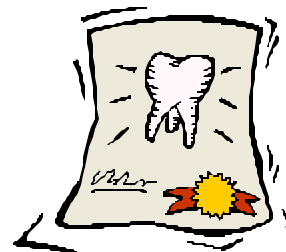
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ASRS Issues Retiree Dental Plan RFP



Though the ASRS issued a retiree health care plan request for proposals (RFP) last fall, it was deemed necessary to secure bids on the dental portion only this summer. The indemnity dental plan provided by PacifiCare has been less than adequate for our members. Many retirees have expressed their concern about PacifiCare's extremely low level of reimbursement on basic as well as major dental services. Though PacifiCare is trying to address these problems, the ASRS felt that its "window of opportunity" was closing rapidly. Keeping the best interest of our members in mind, an RFP was issued with a return date of mid-July. Based on the responses received from the eighty-eight (88) vendors to whom the notice was distributed, plans will be selected that will provide flexibility of plan design, large dental provider networks, a high level of customer service, and competitive premiums. Information about the selected dental plans will be available for open enrollment this October.

ASRS Retiree Health Insurance Open Enrollment

October 15 through November 9, 2001 has been designated as the open enrollment period for the Arizona State Retirement System (ASRS) retiree health care plans. **Member elections will become effective January 1, 2002.**

Open enrollment applies to any retired member of the ASRS, Public Safety Personnel Retirement System (PSPRS), Elected Officials' Retirement Plan (EORP), Correctional Officers Retirement Plan (CORP), University Optional Retirement Plan (UORP), or any member who is receiving a long-term disability (LTD) benefit from the ASRS program and who is no longer eligible for health benefits through his or her former employer. Members or any eligible dependents that have not taken the opportunity to enroll previously in one of the group medical or dental plans also will be able to enroll.

As you read above, a retiree dental plan RFP was issued this summer. The selected dental plans will be available for this open enrollment. Members are encouraged to carefully read the open enrollment material when it is distributed in late-September to learn more about their dental plan choices.

Unlike past open enrollments, this is **not** a positive re-enrollment of every member. No action on the part of a retired member or LTD claimant is required if:

- a) he or she already is enrolled for coverage which is continuing into 2002 and does not wish to make changes or,
- b) he or she does not wish to enroll for coverage as a new member or,
- c) he or she is enrolled in their former employer's health insurance program and does not want to change to the ASRS coverage.

NEW CONTRIBUTION RATE

At a meeting of the ASRS Board of Directors held on February the Board approved the new actuarial valuation providing a new contribution rate for two fiscal years effective July 1, 2001 through June, 2003.

PLAN

	RETIREMENT	LTD	TOTAL
EMPLOYEE	2.00%	0.49%	2.49%
EMPLOYER	2.00%	0.49%	2.49%

SYSTEM

	RETIREMENT	LTD	TOTAL
EMPLOYEE	7.00%	0.49%	7.49%
EMPLOYER	7.06%*	0.49%	7.55%

*Includes cost of health insurance premium benefit program.

Additional Premium Benefit Supplement

In addition to the across-the-board retiree Health Insurance premium benefit increase (HB-2164, Chapter Law 383), provided to all eligible retirees, the Arizona Legislature also approved legislation (SB 1107, Chapter Law 376) to address the growing crises of health care affordability and availability in rural Arizona. This additional increase in the regular supplement will provide a two-year "bump" for those retirees living in areas of the state where no HMO coverage is available to them. This additional temporary benefit will be paid July 1, 2001 to June 30, 2003.

For more information, contact our Member Service Center at 602-240-2000 in metro Phoenix, 520-239-3100 in metro Tucson or 1-800-621-3778 outside metro Phoenix and Tucson.

NOTE: Retired members will receive information on this benefit in their open enrollment packet which will be mailed in late September.

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is published periodically for employers of the Arizona State Retirement System by the External Operations Division. Comments and questions may be directed to the Editor, or call (602) 240-2039, or toll-free outside metro Phoenix at 1 (800) 621-3778. ext. 2039.